

Fiscal Note Request SB0219, As Amended in Senate Committee

(continued)

baccalaureate and masters degree graduates and 62% of law degree graduates with loans would be employed in Montana after graduation. These rates are used for purposes of this fiscal estimate since loan and in-state employment figures for tribal and private colleges are not available.

4. It is assumed that employed graduates would be earning enough income to have income tax liability greater than the full credit amount. It is also assumed, based on the average total loan amounts, that graduating undergraduate and graduate students with loan debt would be making sufficient loan repayments to take the full credit each year.
5. The following table provides information used to project the FY 2007 fiscal impact:

MT Institutions of Higher Education Degree Completions and Estimated Number with Loans and Estimated Credit Amount			
Degree Type	Number of Completions (CY 2003)	Estimated Number of Graduates With Loans	Estimated Number With Loans Remaining In-state After Graduation
Associate	1,478	952	666
Baccalaureate	5,238	3,373	2361
Masters	979	630	441
Law	<u>84</u>	<u>54</u>	<u>34</u>
Total	7,779	5,010	3,502

6. For purposes of estimation, it is assumed that most Montana degree-earning college graduates find employment within one year after graduation.
7. The estimated average credit amount claimed by a graduating class is \$1,751,000 (3,502 degree earners * \$500 credit).
8. This bill states that this credit applies to tax years starting after December 31, 2005. Therefore, the credit could not be claimed by 2005 graduates until their tax year 2006 returns are filed in 2007. Thus, there would be no impact on the general fund in FY 2006. The impact of these credits claimed by these graduates would reduce general fund revenue by \$1,751,000 in FY 2007.
9. The Department of Revenue does not anticipate any additional costs associated with the passage of this bill.

FISCAL IMPACT:

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
<u>Revenues:</u>		
General Fund (01)	\$0	(\$1,751,000)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	\$0	(\$1,751,000)

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EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

None.

LONG-RANGE IMPACTS:

Each year, new graduates would be allowed to claim the credit while persons who received a degree in preceding qualifying years, have not paid off their student loans, and are within required number of years after graduation would continue to claim the credit. Total credits claimed would increase to approximately \$3.5 million in FY 2008, \$4.7 million in FY 2009, and \$5.9 million in FY 2010 and following years. General fund revenue would be reduced by the amount of the credits.

TECHNICAL NOTES:

1. The amendments replacing subsection (2) of this bill use the language “while a student at a Montana institution of higher learning.” However, this amendment deals with the years after graduation. The language should be “while a student was at a Montana institution of higher learning.”
2. Both Montana State University-Northern and the University of Montana-Western offer associate degree programs as well as baccalaureate and, in the case of Northern, masters degrees. A student pursuing a two-year degree on these campuses would be excluded from the credit unless the student also pursues a baccalaureate degree.